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**KAMALTA EXPLORATION LTD.**

INTERIM REPORT  
TO THE SHAREHOLDERS

906 LANCASTER BUILDING  
CALGARY 2, ALBERTA  
TELEPHONE: 264-0151 TELEX: 038-21572

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AUGUST 22, 1969



August 22, 1969

INTERIM REPORT  
TO THE SHAREHOLDERS:

You will find attached the Interim Consolidated Financial Statements as at May 31, 1969, and the Audited Consolidated Financial Statements as at November 30, 1968, together with an up-to-date map of Kamalta's (KEX) Southwest Saskatchewan holdings in the Plato area.

There are several items which should be noted, in the financial statements.

During the reporting period, there was a material increase in the Company's investment in fixed assets. The largest portion is attributable to the increase from \$56,363 at May 31, 1968, to \$810,997 at May 31, 1969, in the investment in oil wells and equipment. This increase reflects your Company's accelerated oil and gas development program, particularly in the Plato area.

Another item of interest to shareholders, contained in the Consolidated Statement of Income at May 31, 1969, is a \$144,728 write-off of "abandoned properties". This represents the cost of mining claims, amounting to \$92,851 acquired by the previous management some years ago and now abandoned and the balance is the cost of dry holes drilled during the period. These write-offs are in keeping with your Directors sound accounting policy of reflecting on the





balance sheet only productive oil wells and properties with more than a reasonable potential.

One further item on the Consolidated Statement of Income that should be noted is the increase in oil income during the interim period from \$10,083, for the comparable 1968 period, to \$150,376 despite a six week shut-down during the 1969 Spring road bans. For various reasons, it is not anticipated that the Plato operation will be shut-down in the Spring of 1970. Oil sales during the balance of 1969 will be considerably higher.

In comparing the \$166,963 loss for the six months ended May 31, 1969, with the income of \$239,496 for the comparable 1968 period it should be noted that the 1968 profit does not reflect normal operations. The 1968 profit is largely attributable to a non-recurring profit on the sale of fixed assets, amounting to \$267,669, at a time when income from the sale of oil was minimal.

In addition to the oil and mining assets directly owned and operated, the company has a significant investment (22% of the outstanding stock) in Petromines Limited, which has a 100% interest in 978,989 strategically located acres in the Canadian Arctic Oil Play. The third Panarctic well site, Marie Bay, is currently drilling within 8 miles of some of Petromines' acreage.





Your Directors are extremely pleased with the Company's progress during the reporting and subsequent period. The Company is now in a strong financial position. With the funds provided by the recent private placement of treasury shares and increasing revenue from oil sales the Company has adequate capital to provide for the development of its proven reserves in the Southwestern Saskatchewan fields and other activities.

The growth of the Company is reflected in an increase of staff from 4 people a year ago to a total of 19 full time employees today.

#### SOUTH WEST SASKATCHEWAN

The principle area of activity for KEX is S.W. Saskatchewan, where approximately 371,761 gross acres are held in lease and permit form. This includes land in the Plato field and large holdings in all directions from the Plato "A" Pool. Also, included is a 67,680 acre P. & N.G. permit south of Swift Current on which drilling will commence shortly. Most of this property is considered prime acreage as evidenced by the tremendous development and exploratory drilling presently taking place by both major and junior oil companies. Apart from development wells, over 50 wildcat tests are scheduled in the immediate Plato area for 1969.

#### PLATO "A" POOL

In a report dated May 1, 1969, by J.C. Sproule & Associates

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[https://archive.org/details/Kama0759\\_1969](https://archive.org/details/Kama0759_1969)



Ltd. encompassing 20,800 acres, including the Plato "A" Pool, recoverable proven and probable reserves using primary and secondary recovery are estimated at 16,408,000 barrels.

In a study prepared in July, 1969, by Blain, Binnie, and Mattheis Engineering Ltd., Petroleum Consultants, covering 37 wells on 2,970 acres in the "A" Pool, a recovery of 5,002,000 barrels is anticipated under water flood. According to this report under water flood, the economic limit of the field will be ended in approximately 27 years. The company and its subsidiary own about 48% of these estimated reserves.

Your Company's average daily production for the six month period ended May 31, 1969, allowing for a six week shut down for Spring road bans, was approximately 530 barrels per day. Daily production as at August 21 is about 720 barrels. While the daily production increase is satisfactory, it is not as great as anticipated in earlier forecasts. For this reason your Company, along with other participants, in the "A" Pool, Hudson Bay Oil & Gas Co. Ltd., Atlantic Richfield Company, Sun Oil Company and, Houston Oils Limited, have agreed in principle to proceed immediately with a program of pressure maintenance recovery methods. Implementation of this program will result in increased productivity over an extended period of time.

Current emphasis in the Plato Field is on developing proven reserves in the "A" Pool. Production to date has been



achieved in a south-west trend 6 miles in length. Recent discoveries have extended the potential length of this trend to 18 miles which indicates that the full potential of the "A" Pool is a long way from being determined.

#### NEW DISCOVERIES

Your Company is pleased to announce that a discovery well Norvanian KEX 10 of 26, in the Forgan area has been completed 22 miles south west of the Plato "A" Pool. A follow-up well has been drilled and is now being completed. Your Company has a 35% interest in these wells and the large block of surrounding acreage. Management considers this to be a significant new area of activity and an accelerated drilling program is now being carried out.

In an area six miles north of the "A" Pool a new gas discovery was recently made by Hudson Bay Oil & Gas. KEX has successfully drilled a 100% owned follow-up gas well on adjacent property. Negotiations with the Saskatchewan Power Corporation for the sale of this gas are being carried out and further drilling is planned.

#### EXPLORATION ACTIVITIES SASKATCHEWAN

Your Company has participated in several test wells to explore deeper horizons in South West Saskatchewan. These tests have been successful except for a Mississippian indication which,





after careful study, may indicate further drilling is justified.

#### HUDSON'S BAY

KEX has acquired a 1/3 interest in 2,000,000 acres in the Hudson Bay Lowlands, located between large blocks held by Aquitaine Co. of Canada Ltd. and Jeffersen Lake Petrochemicals of Canada Ltd.

#### NEVADA, U.S.A.

A Devonian play on the Arden Dome 10 miles west of Las Vegas was put together by your Company. A 6,750 foot hole has been drilled and while no hydro-carbons were encountered a very large reservoir of fresh water was found. As fresh water is a valuable commodity in this desert area, casing has been set and tests are being conducted to determine the economic feasibility of marketing this fresh water.

#### NEW ZEALAND

After six months of negotiations with the New Zealand Government, petroleum and natural gas exploration permits encompassing 1,400,000 on and off-shore acres have been officially granted to KEX. The petroleum exploration tempo in the New Zealand theatre has been greatly accelerated as a result of Shell Oils' recent major off-shore discovery. Shell has towed their \$70 million drilling barge, the Sedco 135, from British Columbia to New Zealand indicating that there will be increasing activity in the area. Several on-shore wells are also being drilled in New Zealand.





Your Company's first year work program involves mapping and geophysical studies. In the opinion of your Directors' New Zealand is an exciting entree' to the search for oil on an International basis and in line with their desire to broaden your Company's base of operations.

#### OTHER ACTIVITIES

In keeping with this policy, Kamalta is also exploring for minerals in the Wollaston Basin, Saskatchewan and Nelson Mining District, British Columbia.

Kamalta holds a 189,000 acre Uranium Exploration Permit in the Wollaston Basin on which geophysical exploration is being carried out this summer.

At Crawford Bay in the Nelson Mining District your Company is currently drilling an interesting molybdenum prospect in equal partnership with United New Fortune Mines Limited.

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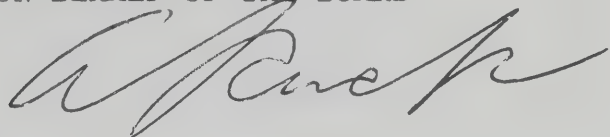
In conclusion your Directors' hope that by this interim report, shareholders will appreciate the significant strides made by management during the past year to build a sound corporate structure, to increase cash flow, to build up reserves, to extend land holdings, and to broaden the areas of activity.

A private placement of 317,324 shares of the Companys' capital stock at \$3.40 per share, to realize \$1,078,902, was



completed during June 1969, at a time when the shares of KEX were trading somewhat below this price. Your Directors would like to take this opportunity of thanking the participants in the private placement group for the confidence they have shown in the long term potential of Kamalta Exploration Ltd. by not hesitating to carry out their commitments.

RESPECTFULLY SUBMITTED  
ON BEHALF OF THE BOARD

A handwritten signature in dark ink, appearing to read 'W.B. Ruck', written in a cursive style.

W.B. RUCK  
PRESIDENT

WBR/eb





KAMALTA EXPLORATION LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 1969





CONSOLIDATED BALANCE SHEETMAY 31, 1969

	<u>A S</u>	<u>1969</u>	<u>1968</u>
<u>CURRENT</u>			
Cash		\$ 296,034	\$ 51,750
Accounts receivable			
Share subscription (Note D)		368,688	31,543
Crude oil inventory, at market		25,000	-
Prepaid expenses		203,861	1,290
Refundable deposits	cts	<u>12,156</u>	<u>-</u>
		<u>\$ 905,739</u>	<u>\$ 84,583</u>
 <u>INVESTMENTS, at cost</u>			
Securities (Note B)		\$ 30,641	\$ -
		<u>12,156</u>	<u>-</u>
		<u>\$ 18,485</u>	<u>\$ -</u>
 <u>FIXED, at cost</u>			
Mineral, petroleum and natural g.		\$ 924,224	\$ 84,583
claims, leases and permits			
Oil wells and equipment			
		<u>\$ 194,627</u>	<u>\$ 240,000</u>
 Less accumulated depletion, amortization and depreciation			
	<u>R S ' E Q U I T Y</u>		
 <u>DEFERRED CHARGES</u>			
Organization expenses		<u>\$2,790,359</u>	<u>\$1,440,029</u>
		<u>\$ (1,047,745)</u>	<u>\$ (1,179,356)</u>
SIGNED ON BEHALF OF		<u>(166,963)</u>	<u>239,496</u>
		<u>\$ (1,214,708)</u>	<u>\$ (939,860)</u>
		<u>\$1,575,651</u>	<u>\$ 500,169</u>
 Total asse		<u>\$2,694,502</u>	<u>\$ 824,752</u>



KAMALTA EXPLORATION LTD.

CONSOLIDATED BALANCE SHEET

(Compared with figures at May 31, 1968)

MAY 31, 1969

A S S E T S

	<u>1969</u>	<u>1968</u>
<u>CURRENT</u>		
Cash	\$ 19,211	\$ 8,345
Accounts receivable	77,161	8,553
Share subscription (Note D)	1,078,902	-
Crude oil inventory, at market	3,360	-
Prepaid expenses	10,732	-
Refundable deposits	<u>49,412</u>	<u>5,886</u>
	<u>\$1,238,778</u>	<u>\$ 22,784</u>
 <u>INVESTMENTS, at cost</u>		
Securities (Note B)	<u>\$ 63,174</u>	<u>\$ 73,498</u>
 <u>FIXED, at cost</u>		
Mineral, petroleum and natural gas claims, leases and permits	\$ 663,004	\$ 680,933
Oil wells and equipment	<u>810,997</u>	<u>56,363</u>
	<u>\$1,474,001</u>	<u>\$ 737,296</u>
 Less accumulated depletion, amortization and depreciation	<u>90,347</u>	<u>17,722</u>
	<u>\$1,383,654</u>	<u>\$ 719,574</u>
 <u>DEFERRED CHARGES</u>		
Organization expenses	<u>\$ 8,896</u>	<u>\$ 8,896</u>
  <u>SIGNED ON BEHALF OF THE BOARD</u>		
 _____ DIRECTOR		
 _____ DIRECTOR		
  <u>Total assets</u>	<u>\$2,694,502</u>	<u>\$ 824,752</u>

L I A B I L I T I E S

	<u>1969</u>	<u>1968</u>
<u>CURRENT</u>		
Bank indebtedness, secured	\$ 296,034	\$ 51,750
Accounts payable		
Trade	368,688	31,543
Advances from directors	25,000	-
Georgian Management Ltd.	203,861	1,290
Current portion of equipment finance contracts	<u>12,156</u>	<u>-</u>
	<u>\$ 905,739</u>	<u>\$ 84,583</u>
 <u>TERM</u>		
Equipment finance contracts	\$ 30,641	\$ -
Less current portion	<u>12,156</u>	<u>-</u>
	<u>\$ 18,485</u>	<u>\$ -</u>
 <u>Total liabilities</u>	<u>\$ 924,224</u>	<u>\$ 84,583</u>
 <u>COMMITMENTS (Note C)</u>		
 <u>MINORITY INTEREST IN A SUBSIDIARY (Note A)</u>	<u>\$ 194,627</u>	<u>\$ 240,000</u>
  <u>S H A R E H O L D E R S ' E Q U I T Y</u>		
<u>CAPITAL STOCK</u>		
Authorized - 5,000,000 shares without nominal or par value		
Issued - 3,780,893 shares (Note D)	<u>\$2,790,359</u>	<u>\$1,440,029</u>
 <u>DEFICIT</u>		
Balance at beginning of the period	\$ (1,047,745)	\$ (1,179,356)
Income or (loss) for the period	<u>(166,963)</u>	<u>239,496</u>
 Balance at end of the period	<u>\$ (1,214,708)</u>	<u>\$ (939,860)</u>
 <u>Total shareholders' equity</u>	<u>\$1,575,651</u>	<u>\$ 500,169</u>
	<u>\$2,694,502</u>	<u>\$ 824,752</u>





KAMALTA EXPLORATION LTD.

CONSOLIDATED STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED MAY 31, 1969

(Compared with figures for the six months ended May 31, 1968)

	<u>1969</u>	<u>1968</u>
<u>REVENUE</u>		
Oil sales	\$ 150,376	\$ 10,083
Less royalties and production expenses	<u>34,864</u>	<u>1,865</u>
	\$ 115,512	\$ 8,218
Royalty income	2,059	-
Well supervision income	11,676	-
Oil hauling	<u>8,578</u>	<u>-</u>
	<u>\$ 137,825</u>	<u>\$ 8,218</u>
<u>DEVELOPMENT EXPENSES</u>		
Lease rentals and taxes	\$ 8,730	\$ 240
Geological and consultants fees	24,139	3,215
Abandoned properties	144,728	-
Depletion, amortization and depreciation	<u>48,878</u>	<u>6,912</u>
	<u>\$ 226,475</u>	<u>\$ 10,367</u>
	<u>\$ (88,650)</u>	<u>\$ (2,149)</u>
<u>ADMINISTRATIVE AND GENERAL EXPENSES</u>		
Management salaries and fees	\$ 26,145	\$ 15,250
Office and telephone	9,792	2,948
Professional fees	24,846	2,335
Registrar and shareholders' meetings	4,260	275
Travelling	13,320	1,719
Interest and bank charges	6,813	626
Miscellaneous	<u>2,238</u>	<u>696</u>
	<u>\$ 87,414</u>	<u>\$ 23,849</u>
	<u>\$ (176,064)</u>	<u>\$ (25,998)</u>
<u>NON-RECURRING CHARGES AND CREDITS</u>		
Profit or (loss) on sale of securities	\$ 13,050	\$ (2,175)
Profit on sale of fixed assets	<u>-</u>	<u>267,669</u>
	<u>\$ 13,050</u>	<u>\$ 265,494</u>
	<u>\$ (163,014)</u>	<u>\$ 239,496</u>
<u>APPLICABLE TO MINORITY INTEREST (Note A)</u>	<u>3,949</u>	<u>-</u>
Consolidated income or (loss) for the period	<u>\$ (166,963)</u>	<u>\$ 239,496</u>



KAMALTA EXPLORATION LTD.

CONSOLIDATED STATEMENT OF SOURCE AND DISPOSITION OF FUNDS

FOR THE SIX MONTHS ENDED MAY 31, 1969

(Compared with figures for the six months ended May 31, 1968)

	<u>1969</u>	<u>1968</u>
<u>SOURCE OF FUNDS</u>		
Operations		
Profit or (loss) for the period	\$ (166,963)	\$ 239,496
Non cash items		
Abandoned properties	144,728	-
Depletion, amortization and depreciation	48,878	6,912
Profit on sale of securities	(13,050)	-
Loss on sale of securities	-	2,175
Profit on sale of fixed assets	-	(267,669)
Applicable to minority interest	<u>3,949</u>	<u>-</u>
	\$ 17,542	\$ (19,086)
Sale of investments	15,000	750
Sale of fixed assets	-	37,250
Equipment finance contracts	18,485	-
Capital stock issued	1,128,902	-
Reduction in working capital	<u>-</u>	<u>29,665</u>
	<u>\$1,179,929</u>	<u>\$ 48,579</u>
<u>DISPOSITION OF FUNDS</u>		
Expenditures for fixed assets	\$ 596,719	\$ 13,579
Investments	-	35,000
Increase in working capital	<u>583,210</u>	<u>-</u>
	<u>\$1,179,929</u>	<u>\$ 48,579</u>





KAMALTA EXPLORATION LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 1969.

A. SUBSIDIARY COMPANIES

The consolidated financial statements include the accounts of two wholly-owned subsidiary companies, Kamalta Transmission Corp. Limited and Rimbey Resources Ltd., and the accounts of a controlled subsidiary, Marvel Oils Limited. The company owns 50.4% of the outstanding shares of Marvel Oils Limited.

B. SECURITIES

The cost and quoted market value of securities at May 31, 1969 are as follows:

	<u>Shares</u>	<u>Cost</u>	<u>Market</u>
British Controlled Oilfields Limited	1,000	\$ 400	\$ -
Kokanee Moly Mines Ltd. (N. P. L.)	30,000	20,000	4,500
Northern Copper Limited	100,000	13,000	10,000
Petromines Limited (escrowed)	766,562	<u>29,774</u>	<u>1,609,780</u>
		<u>\$ 63,174</u>	<u>\$1,624,280</u>

C. COMMITMENTS

As at May 31, 1969, the companies were committed to an oil well drilling program involving expenditures of \$50,000.

D. CAPITAL STOCK

As at May 31, 1969, capital stock had been issued as follows:

2,252,413	shares for cash	\$1,955,036
1,528,480	shares for properties and services	835,323
<u>3,780,893</u>		<u>\$2,790,359</u>

The foregoing summary includes the following shares allotted during the six months ended May 31, 1969.

10,000	shares for properties	\$ 35,000
<u>517,324</u>	shares for cash	<u>1,128,902</u>
<u>527,324</u>		<u>\$1,163,902</u>



The shares allotted during the six months ended May 31, 1969 include an allotment of 317,324 shares at a price of \$3.40 per share, with share purchase warrants entitling the subscribers to purchase an additional 79,331 shares at a price of \$4.40 per share before June 15, 1972. As at May 31, 1969, the allotment was subject to the approval of the regulatory authorities. Subsequent to that date the required approvals were obtained and the share issue was effected.

As at May 31, 1969, employees' incentive options to purchase a total of 90,000 shares of capital stock at a price of \$3.00 per share, on or before May 1, 1974, were outstanding.





KAMALTA EXPLORATION LTD.  
CONSOLIDATED FINANCIAL STATEMENTS  
NOVEMBER 30, 1968



# DEVONSHIRE, MUNRO & CO.

CHARTERED ACCOUNTANTS

TELEPHONE: 403-269-7736

MERVYN S. DEVONSHIRE, B.COM., C.A.

R. JAMES MUNRO, B.COM., C.A.

720 SEVENTH AVENUE S.W.

CALGARY, CANADA

## AUDITORS' REPORT

To the Shareholders,

### KAMALTA EXPLORATION LTD.

We have examined the consolidated balance sheet of Kamalta Exploration Ltd. and its subsidiary company as at November 30, 1968, and the consolidated statements of income and source and disposition of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and the consolidated statements of income and source and disposition of funds, together with the notes thereto, present fairly the financial position of the companies as at November 30, 1968, and the results of their operations and the source and disposition of their funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada,

February 11, 1969

*Devonshire, Munro & Co.*

Chartered Accountants.





CONSOLIDATED BALANCE SHEETNOVEMBER 30, 1968A S S E T S

	<u>1968</u>	<u>1967</u>
<u>CURRENT</u>		
Cash	\$ 16,250	\$ 1,500
Accounts receivable		
Refundable deposits	290,921	37,133
	14,403	-
	<u>-</u>	<u>6,971</u>
	\$ 321,574	\$ 45,604
<u>INVESTMENTS, at cost</u>		
Kamalta Transmission Corp		
Other investments (Note C)		
	\$ 190,678	\$ -
<u>FIXED, at cost</u>		
Mineral, petroleum and natural gas		
claims leases and permits		
Oil wells and equipment		
	nominal	
Less accumulated depletion, amortization and depreciation	\$1,626,457	\$1,426,529
	\$(1,179,356)	\$(1,240,178)
	-	100,000
	<u>131,611</u>	<u>(39,178)</u>
<u>DEFERRED CHARGES</u>		
Organization expenses	\$(1,047,745)	\$(1,179,356)
	\$ 578,712	\$ 247,173
<u>Total assets</u>	<u>\$ 1,090,964</u>	<u>\$ 292,777</u>

SIGNED ON BEHALF OF THE BOARDDIRECTORDIRECTOR



CONSOLIDATED BALANCE SHEETKAMALTA EXPLORATION LTD.

(Compared with 1967 figures)

NOVEMBER 30, 1968A S S E T S

<u>CURRENT</u>	<u>1968</u>	<u>1967</u>
Cash	\$ 7,286	\$ 341
Accounts receivable	46,338	2,988
Refundable deposits	17,780	2,500
	<u>\$ 71,404</u>	<u>\$ 5,829</u>
 <u>INVESTMENTS, at cost</u>		
Kamalta Transmission Corp. Ltd. (Note B)	\$ 7,500	\$ -
Other investments (Note C)	65,124	20,000
	<u>\$ 72,624</u>	<u>\$ 20,000</u>
 <u>FIXED, at cost</u>		
Mineral, petroleum and natural gas, claims leases and permits	\$ 556,770	\$ 210,615
Oil wells and equipment	422,740	61,622
	<u>\$ 979,510</u>	<u>\$ 272,237</u>
Less accumulated depletion, amortization and depreciation	41,469	12,404
	<u>\$ 938,041</u>	<u>\$ 259,833</u>
 <u>DEFERRED CHARGES</u>		
Organization expenses	\$ 8,895	\$ 7,115
	<u>\$ 8,895</u>	<u>\$ 7,115</u>
 <u>Total assets</u>	<u>\$1,090,964</u>	<u>\$ 292,777</u>

SIGNED ON BEHALF OF THE BOARD

J. H. Prosser DIRECTOR

M. J. Hall DIRECTOR

L I A B I L I T I E S

<u>CURRENT</u>	<u>1968</u>	<u>1967</u>
Bank indebtedness, secured	\$ 16,250	\$ 1,500
Accounts payable -		
Trade	290,921	37,133
Advances from directors	14,403	-
Georgian Management Ltd.	-	6,971
	<u>\$ 321,574</u>	<u>\$ 45,604</u>
 <u>Total liabilities</u>		
 <u>COMMITMENTS (Note D)</u>		
 <u>MINORITY INTEREST IN SUBSIDIARY (Note A)</u>	<u>\$ 190,678</u>	<u>\$ -</u>
 <u>S H A R E H O L D E R S ' E Q U I T Y</u>		
<u>CAPITAL STOCK</u>		
Authorized - 5,000,000 shares without nominal or par value		
Issued - 3,253,569 shares (Note E)	<u>\$1,626,457</u>	<u>\$1,426,529</u>
 <u>DEFICIT</u>		
Balance at beginning of year	\$(1,179,356)	\$(1,240,178)
Adjustment of prior year's loss	-	100,000
Consolidated income for the year	131,611	(39,178)
	<u>\$(1,047,745)</u>	<u>\$(1,179,356)</u>
 <u>Total shareholders' equity</u>	<u>\$ 578,712</u>	<u>\$ 247,173</u>
	<u>\$ 1,090,964</u>	<u>\$ 292,777</u>



KAMALTA EXPLORATION LTD.

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED NOVEMBER 30, 1968

(Compared with 1967 figures)

	<u>1968</u>	<u>1967</u>
<u>REVENUE</u>		
Oil sales	\$ 72,784	\$ 17,550
Royalties and production expense	<u>17,990</u>	<u>9,309</u>
	\$ 54,794	\$ 8,241
Royalty income	287	-
Lease rental income	<u>1,209</u>	<u>-</u>
	<u>\$ 56,290</u>	<u>\$ 8,241</u>
<u>DEVELOPMENT EXPENSES</u>		
Lease rentals and taxes	\$ 3,140	\$ 1,830
Geological consultants fees	18,695	2,067
Abandoned wells	3,534	-
Depletion, amortization and depreciation	<u>30,659</u>	<u>12,404</u>
	<u>\$ 56,028</u>	<u>\$ 16,301</u>
	<u>\$ 262</u>	<u>\$ (8,060)</u>
<u>ADMINISTRATIVE AND GENERAL EXPENSES</u>		
Management fee (Note F)	\$ 30,250	\$ 12,000
Office and telephone	7,205	4,547
Professional fees	35,314	3,450
Registrar and shareholders' meeting	7,163	1,471
Travelling	4,501	6,788
Interest and bank charges	3,436	109
Miscellaneous	<u>2,910</u>	<u>113</u>
	<u>\$ 90,779</u>	<u>\$ 28,478</u>
	<u>\$ (90,517)</u>	<u>\$ (36,538)</u>
<u>NON-RECURRING CHARGES AND CREDITS</u>		
Rights issue expense	\$ (8,812)	\$ -
Profit on sale of securities	16,756	(1,750)
Profit on sale of fixed assets	<u>164,862</u>	<u>(890)</u>
	<u>\$ 172,806</u>	<u>\$ (2,640)</u>
	<u>\$ 82,289</u>	<u>\$ (39,178)</u>
<u>APPLICABLE TO MINORITY INTEREST</u>	<u>49,322</u>	<u>-</u>
<u>Consolidated income for the year</u>	<u>\$ 131,611</u>	<u>\$ (39,178)</u>





KAMALTA EXPLORATION LTD.

CONSOLIDATED STATEMENT OF SOURCE AND DISPOSITION OF FUNDS

FOR THE YEAR ENDED NOVEMBER 30, 1968

(Compared with 1967 figures)

	<u>1968</u>	<u>1967</u>
<u>SOURCE OF FUNDS</u>		
Sale of investments	\$ 28,055	\$ 2,706
Sale of fixed assets	132,250	15,000
Capital stock issued	186,429	74,635
Reduction in working capital	<u>218,035</u>	<u>27,073</u>
	<u>\$ 564,769</u>	<u>\$ 119,414</u>
 <u>DISPOSITION OF FUNDS</u>		
Operations -		
(Income) or loss for the period	\$ (131,611)	\$ 39,178
Profit on sale of securities	\$ 16,756	\$ -
Profit on sale of fixed assets	164,862	-
Applicable to minority interest	<u>49,322</u>	<u>-</u>
	<u>\$ 230,940</u>	<u>\$ -</u>
	<u>\$ 99,329</u>	<u>\$ 39,178</u>
Depletion, amortization and depreciation	\$ 30,659	\$ 12,404
Loss on sale of fixed assets	-	890
Loss on sale of investments	<u>-</u>	<u>1,750</u>
	<u>\$ 30,659</u>	<u>\$ 15,044</u>
Loss from operations	\$ 68,670	\$ 24,134
Kamalta Transmission Corp. Ltd., shares	7,500	-
Other investments	35,000	20,000
Expenditures for fixed assets	<u>453,599</u>	<u>75,280</u>
	<u>\$ 564,769</u>	<u>\$ 119,414</u>



KAMALTA EXPLORATION LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 1968

**A. SUBSIDIARY COMPANY**

By agreement dated May 13, 1968, the company sold Marvel Oils Limited certain oil and gas property interests, oil wells and equipment for the consideration of \$5,000 cash and 610,000 shares of the capital stock of that company. The shares thus acquired represent 50.4% of the outstanding shares of Marvel Oils Limited.

The consolidated balance sheet includes the accounts of Marvel Oils Limited and the consolidated statement of income includes the results of the operations of the subsidiary for the period from the date of acquisition to November 30, 1968.

**B. KAMALTA TRANSMISSION CORP. LIMITED**

Investment in Kamalta Transmission Corp. Limited represents the cost of a subscription for fifteen percent of the issued capital stock of that company. The company is an Alberta Private Company incorporated to transport crude oil in the Plato field of Saskatchewan. As at the date of these accounts the company had not commenced active operations.

**C. OTHER INVESTMENTS**

The cost and quoted market value of other investments, and the trading restrictions thereon, are as follows:

	<u>SHARES</u>	<u>COST</u>	<u>MARKET</u>
British Controlled Oilfields, Limited	1,000	\$ 400	\$ -
Kokanee Moly Mines Ltd. (N.P.L.)	30,000	20,000	5,100
Laronex Copper Mines Limited	100,000	13,000	15,000
Petromines Limited			
Escrowed	700,562	27,200	210,000
Unrestricted	116,000	4,524	34,800
		<u>\$ 65,124</u>	<u>\$264,900</u>

**D. COMMITMENTS**

As at November 30, 1968, the companies were committed to an oil well drilling program involving expenditures of \$25,000.







#### E. CAPITAL STOCK

As at November 30, 1963, capital stock had been issued as follows:

1,735,089	shares for cash	\$ 826,134
1,478,480	shares for properties	780,323
<u>40,000</u>	shares for services	<u>20,000</u>
<u>3,253,569</u>		<u>\$1,626,457</u>

The foregoing summary includes the following shares issued during the year ended November 30, 1968:

50,000	shares for properties	\$ 13,500
<u>745,714</u>	shares for cash	<u>186,428</u>
<u>795,714</u>		<u>\$ 199,928</u>

By a Directors' Resolution dated August 21, 1968 and ratification, by a Special Resolution of the Shareholders on October 31, 1968 the President of the company, Walter B. Ruck, was granted the right to exercise an incentive option, previously granted to him for the purchase of 200,000 shares of the capital stock of the company for the price of 25 cents per share, in consideration for his Promissory Note for the sum of \$50,000 payable on or before October 1, 1973. The issue of these shares had not yet been effected.

#### F. MANAGEMENT FEE

Management fee represents the total of payments made to Georgian Management Ltd., by the company and its subsidiary, for the services of management, office and field supervisory personnel. Walter B. Ruck is the beneficial owner of all the outstanding shares of Georgian Management Ltd.

